



Blended Retirement System: Quick notes version

BRS Opt-In Basics

Making Your Decision

Opt-in Timeline

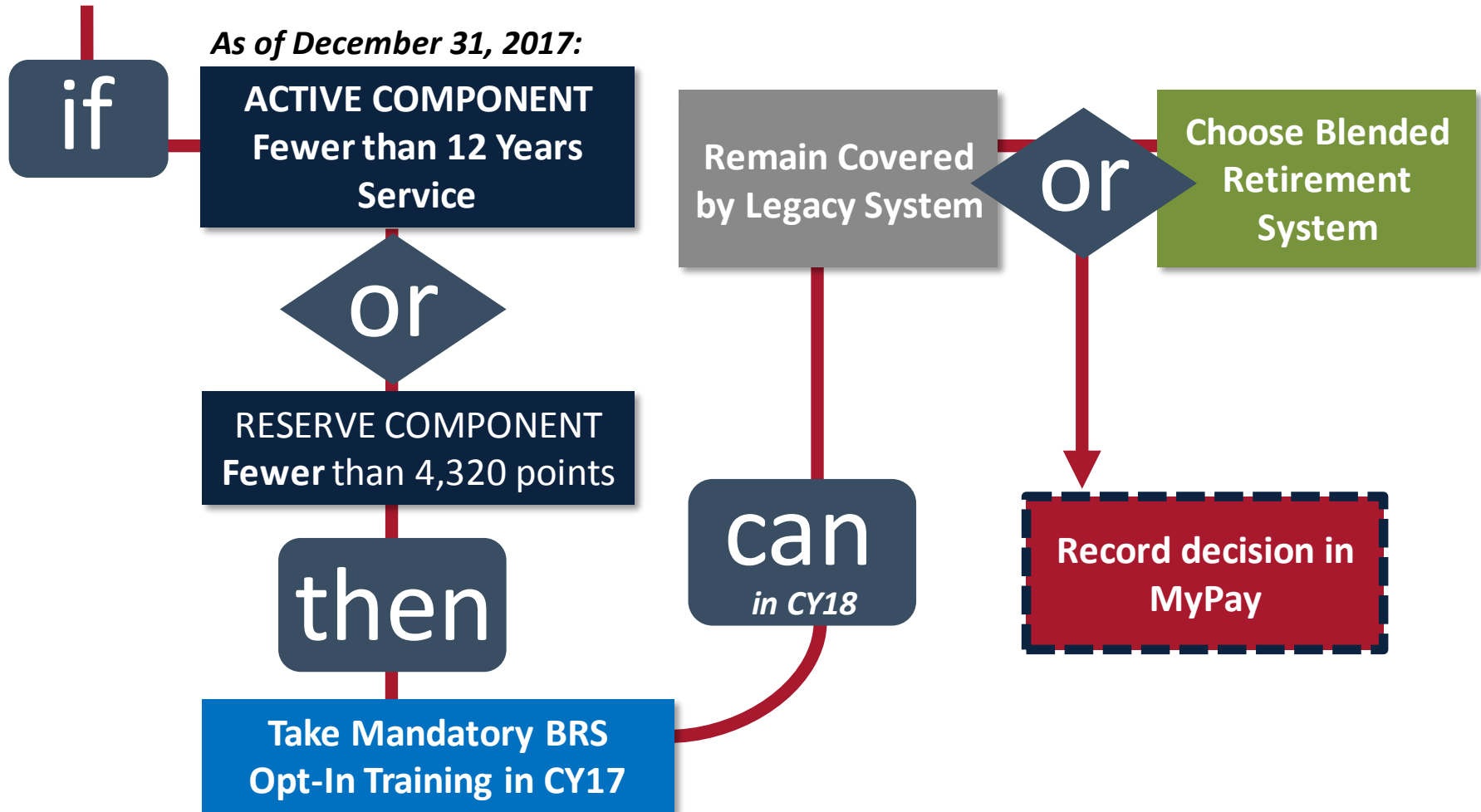
BRS Eligibility

Opt-In Basics

- Effective 1 January 2018
- Service members who entered service prior to 1 January 2018 are grandfathered in the current system
- Service members who entered service prior to 1 January 2018 and who have < 12 years of service or 4,320 retirement points may opt-in to the new system
- The opt-in decision is irrevocable

Opt-in Basics

Serving as of December 31, 2017



Opt-In Period

1 January 2018 to 31 December 2018





High-3 vs BRS

Current System (High-3)

- **Defined benefit**
 - 20 year cliff vested annuity
 - $2.5\% \times \text{YOS} \times \text{High } 36$

$$2.5\% \times \text{Years Served} \times \text{Retired Pay Base}$$


- **Defined contribution**
 - Member may contribute to TSP up to annual IRS limits

New System (BRS)

- **Defined benefit**
 - 20 year cliff vested annuity
 - $2.0\% \times \text{YOS} \times \text{High } 36$
 - Lump sum option

$$2.0\% \times \text{Years Served} \times \text{Retired Pay Base}$$

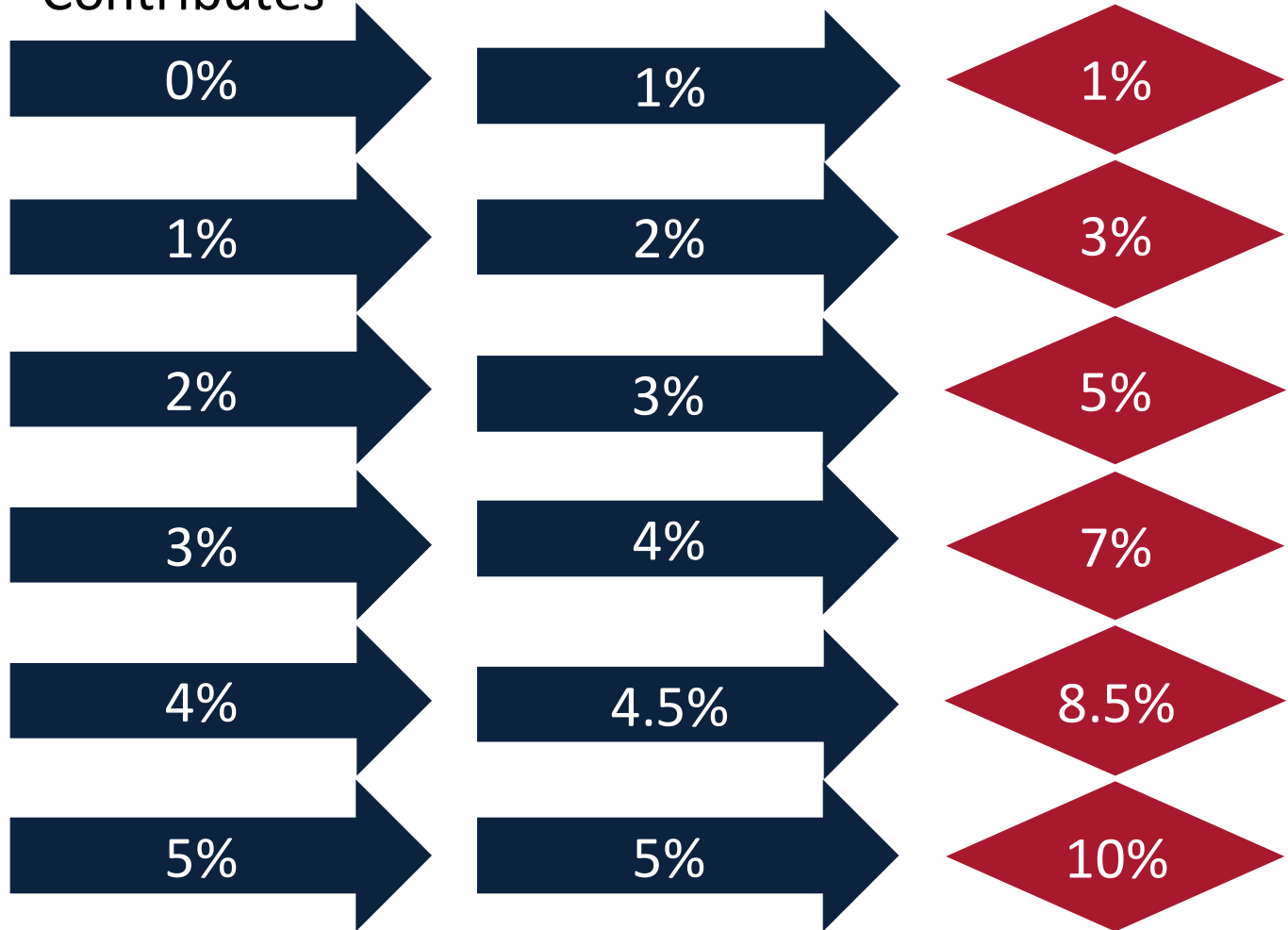

- **Defined contribution**
 - Auto enroll in TSP – 3% contribution (with opt-out option)
 - 1% government contribution after 60 days service
 - Government match at PEBD +2 years
 - Vesting at PEBD +2 years

Matching in BRS

Service
Member
Contributes

Government
Contributes

Total
Contribution





Continuation Pay

Cash pay out at 12 years of service (PEBD + 12 Years)

Must agree to complete four additional years of service

Active component = **2.5 x Base pay (min) up to 13 X Base pay**

Reserve component = **.5 x Base pay (min) up to 6 X Base pay**

Continuation Pay for RC

Some RC members are:

- BRS eligible
 - If fewer than 4,320 retirement points
- Continuation Pay ineligible
 - If 12 or more YOS from PEBD



Lump Sum Option

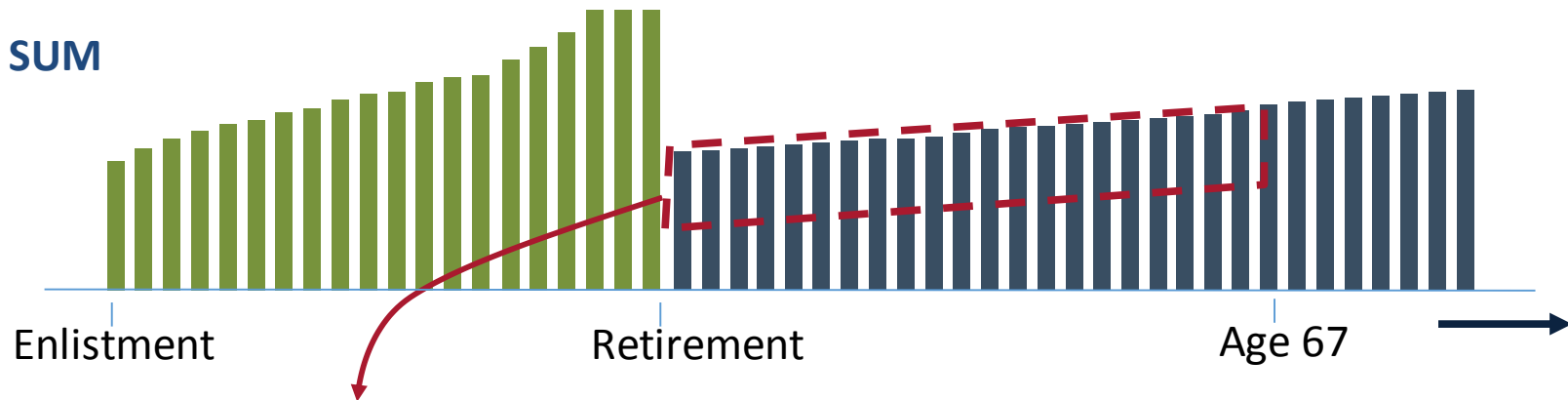
Present value of 25% or 50% of retirement pay from age of military retirement to full social security retirement age (currently age 67) in return for reduced monthly retirement until reaching full social security retirement age.

- Discount rate for 2018: 6.99%

How the Lump Sum Option Works

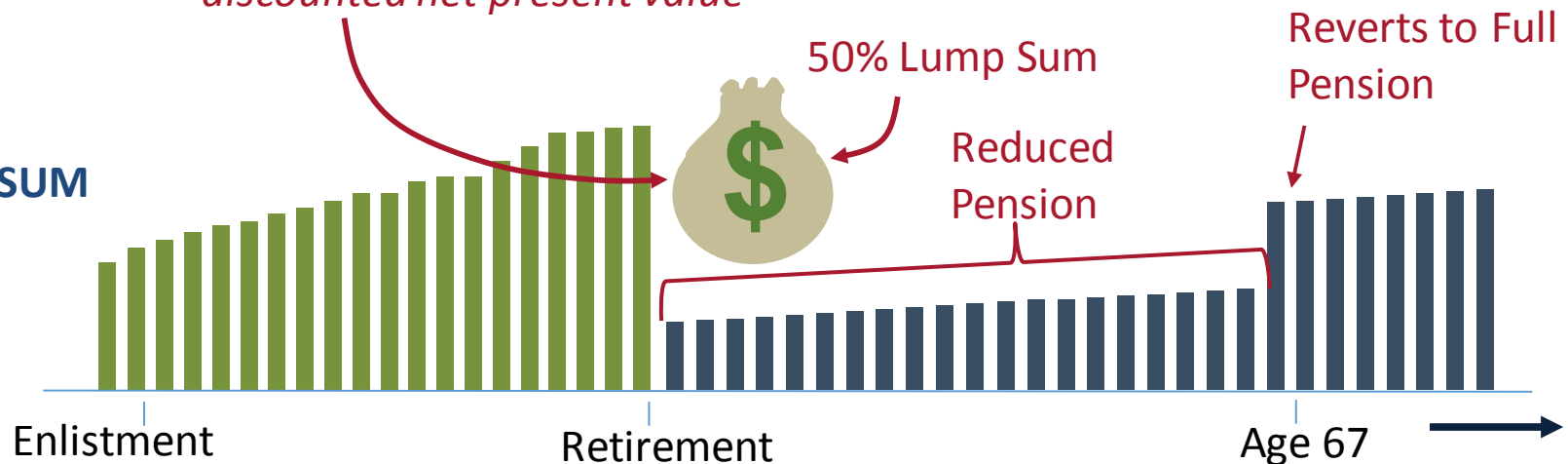
Regular Retirement

NO LUMP SUM



discounted net present value

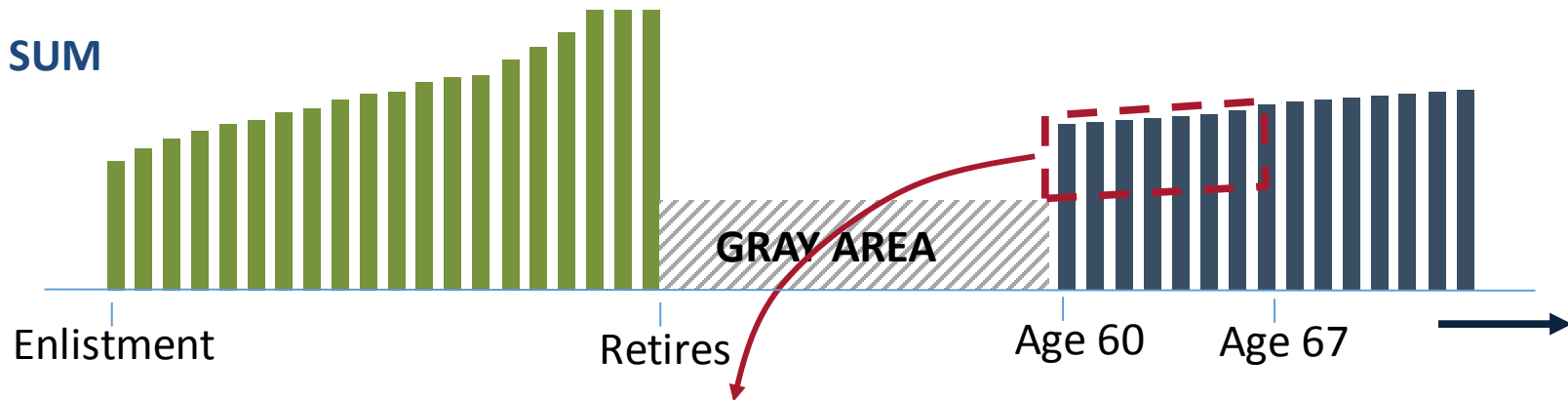
LUMP SUM



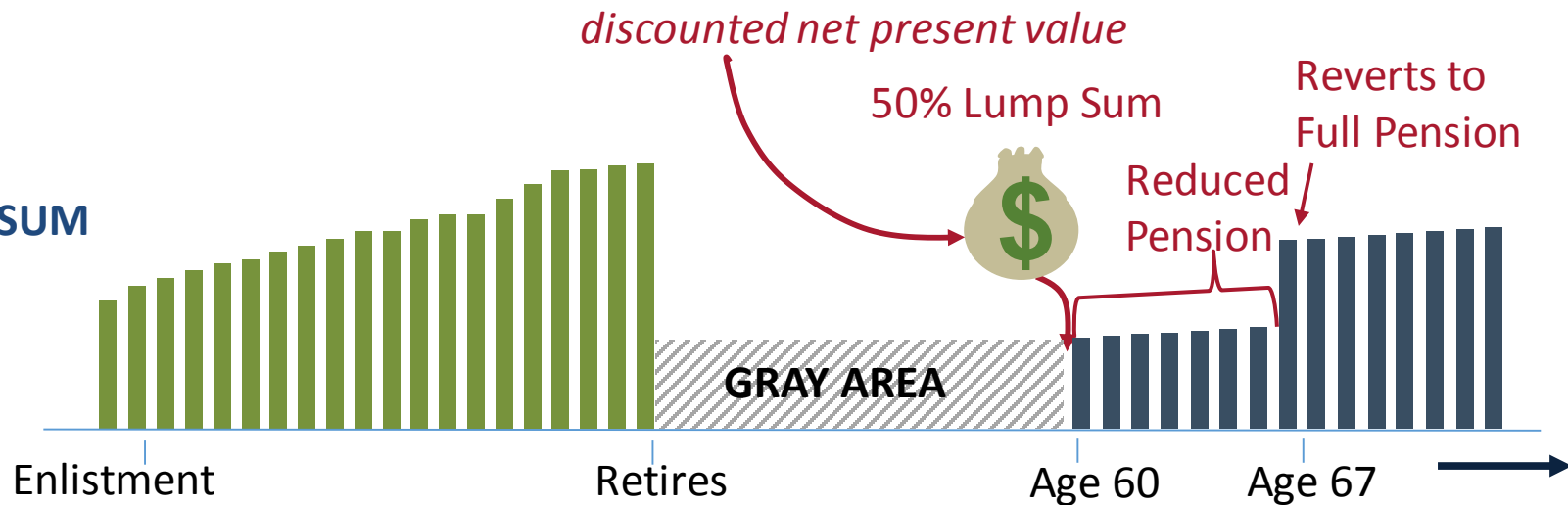
Lump Sum for RC

Non-Regular Retirement

NO LUMP SUM

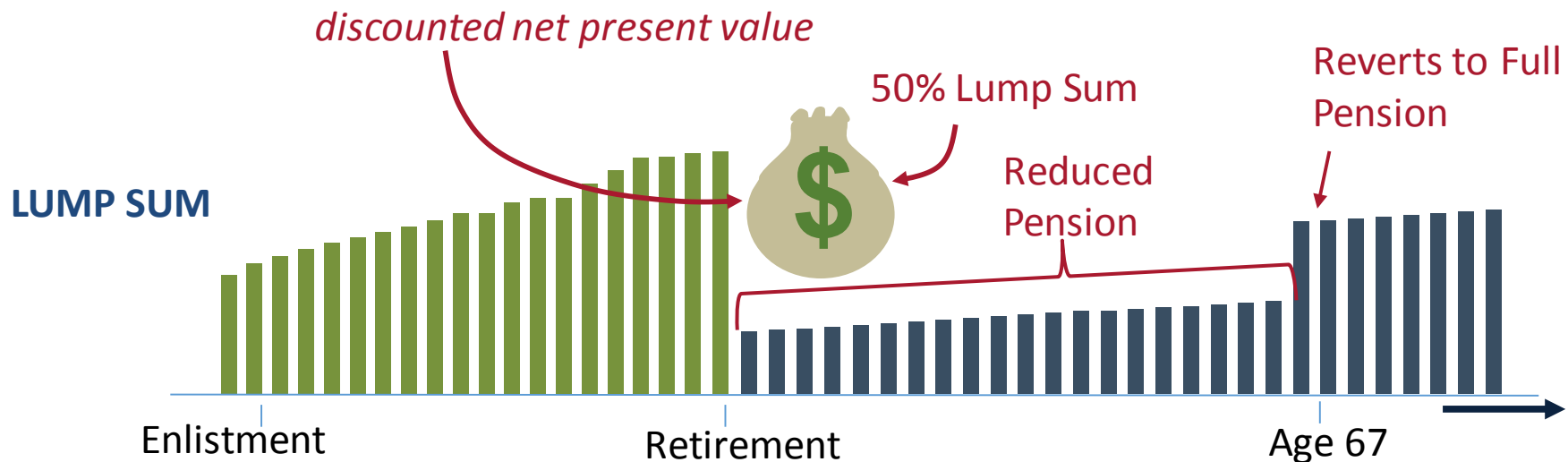


LUMP SUM



Other Important Lump Sum Considerations

- Discounted present value
- Lump sum payment is subject to tax
- VA Disability compensation could be impacted or delayed



Thrift Savings Plan (TSP)

- Purpose: To provide retirement income
- Similar to 401(k)
- Penalties for early withdrawals

Traditional TSP

- Contributions deducted from taxable income NOW
- Pay tax on contribution and earnings upon withdrawal
- TAX LATER

Roth TSP

- Contributions NOT deducted from taxable income now
- Do not pay tax on contributions or earnings upon withdrawal
- TAX NOW

TSP Advantages

- ✓ It's easy (use automatic payroll deductions)
- ✓ Diversified choice of investment options, including professionally designed lifecycle funds
- ✓ Choice of tax treatments for your contributions
- ✓ Low expenses (TSP management fee is .03% per year)
- ✓ If in BRS: Contributions from your service (automatic [1%] contributions and matching contributions up to 4% of your basic pay that you contribute)
- ✓ Access to your money while you are still a member of the Uniformed Services (under certain circumstances)
- ✓ A beneficiary participant account established for your spouse, or anyone you designate, in the event of your death

TSP Funds

G Fund

- Managed by Federal Retirement Thrift Investment Board
- G Fund buys nonmarketable U.S. Treasury security guaranteed by the U.S. Government

F, C, S, I Funds

- Index funds
- Replicate the risk & return characteristics of benchmark index
- Example: C Fund replicates S&P 500 Index

L Funds

- Lifecycle Funds
- Strategy: appropriate mix of G, F, C, S, & I Funds for a particular time horizon
- Becomes more conservative over time



What is Portability?

Resources



Tools & Resources

- Installation Personal Financial Manager (PFM)
- Command Financial Specialist (CFS)
- Military OneSource



- Thrift Savings Plan
- Military Pay
- Military OneSource
- BRS calculator



BRS Calculator



- Online BRS Comparison Calculator will allow Service members to compare estimated benefits under both plans prior to making a decision
- Walks Service members through key information needed to make an effective comparison
- Users can adjust data to see how changes to their career and savings will impact retirement benefits

Conclusion



Last Thoughts

- The decision is irrevocable, so be sure
- Do your research
 - Consider your situation, goals, and family circumstances
 - Run the numbers
 - Consult your PFM
- IF you choose BRS, it is to your advantage to maximize the government match
 - Start as soon as possible
 - Contribute at least up to the match (5%)

Questions

